

VZCZCXYZ0003
PP RUEHWEB

DE RUEHZP #0732/01 2522305
ZNY CCCCC ZZH
P 082305Z SEP 08
FM AMEMBASSY PANAMA
TO RUEHC/SECSTATE WASHDC PRIORITY 2493
INFO RUEAIIA/CIA WASHDC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L PANAMA 000732

SIPDIS

DEPT OF COMMERCE - MATTHEW GAISFORD
DEPT OF TREASURY - SARA SENICA

E.O. 12958: DECL: 08/11/2018
TAGS: [ECON](#) [EINV](#) [ETRD](#) [MARR](#) [PM](#) [EWWT](#)
SUBJECT: PANAMA CANAL AUTHORITY BIDDING PROCESS

Classified By: Ambassador Stephenson for reasons 1.4 (b) and (d).

¶1. (C) Summary: Consistent with normal operations, the Panama Canal Authority (ACP) is running a fair, transparent, and predictable process for the Panama Canal expansion contracts.

Bids for the 3.2 billion dollar third set of locks contract, the centerpiece of the overall 5.25 billion dollar expansion project, are due December 10. Post assesses that the bid process would be difficult to manipulate and that the government of Panama (GOP) and the ACP remain committed to a clean process. Reportedly, disarray in the French consortium could lead to a request to extend the bidding deadline or the failure of the group to submit a bid. Post continues to advocate for a level playing field for all companies competing for the expansion contracts while generally encouraging the selection of the American-led consortium and the maximization of U.S. content by all participating consortia. End Summary.

Process of Awarding the Lock Contract

¶2. (C) ACP Administrator Alberto Aleman Zubieta explained the bidding process for the third set of locks contract to Ambassador Stephenson during her August 21 courtesy call. Aleman stated that on December 10, 2008, the remaining three or four competing consortia are required to submit their bids for the locks contract for the Panama Canal expansion. (Note: There are four prequalified multinational consortia: Bechtel (American led), United Group for the Canal (Spanish led), Atlantic-Pacific Consortium of Panama (French led), and CANAL Consortium (Spanish led).)

¶3. (C) Aleman further explained that the ACP requires all consortia to include separate technical and financial packages. The Authority promises to immediately lock the unopened financial packages in the National Bank vault, while the four separate sub-committees of the Technical Committee will evaluate independently portions of the technical packages based upon known objective criteria. Aleman expects these committees to finish in March, with an independent auditor documenting all of their work and decisions.

¶4. (C) When the Technical Committee finishes assigning points to the technical packages, the ACP will conduct a public televised opening of the financial packages, Aleman noted. The process will then advance by the ACP immediately scoring the financial submissions and openly adding the technical and financial scores together to determine a winner. The technical score contains a maximum of 5500 points or 55 percent of the total possible points. The financial score contains a maximum of 4500 points or 45 percent of the total possible points. For the financial score, the lowest bidder will receive the entire 4500 points and the other consortia

will receive points proportional to how much more expensive their bid are compared to the lowest bid. ACP interlocutors believe a proposed 400 million USD performance bond will inhibit a consortium from trying to win the contract with a lowball bid and then not being able to complete the project. Aleman finished by stating he had told each consortium that the process was based upon the "best effort with the best price" and not any political or monetary influence. He emphasized that the process would be fair, transparent, and predictable.

Perception of the ACP

15. (C) ACP's management of the bidding process is consistent with their overall reputation. The ACP is considered by the Panamanian public, Post, CH2MHill (the project management advisor), and Bechtel to be a model of a fair and transparent organization. For example, the ACP cites its safety record (29 accidents in 2000 versus 10 accidents in 2007), profits (580 million dollars in 2000 versus 1 billion 760 million dollars in 2007), and ability to maximize the volume of shipping of the canal (230.2 versus 312.8 million net tonnage based on the Panama Canal Universal Measurement System). The ACP procurement system also exemplifies its efficiency and transparency. The Authority advertises all needed goods and services on-line and subsequently lists the winning company along with the price paid and the procurement decision-maker in the ACP.

Views of CH2MHill

16. (C) Panama-based representatives of CH2MHill, the U.S. firm that serves as the project management advisor to the ACP for the canal expansion, maintain that the ACP is supervising the bidding process for the locks contract and other related contracts in a fully transparent manner. CH2MHill representatives maintain that their reputation is at stake if the process is perceived as being less than fully transparent. They praised the U.S. position calling for transparency and that a contract awarded on best price and technology was appropriate. The CH2MHill representatives opined that the United States and the many U.S. companies involved in the expansion and the consortia would be best served if the USG maintained its public posture of monitoring and assuring a transparent process.

French Consortium in Trouble?

17. (C) CH2MHill representatives reported that the French Ambassador recently called on a senior GOP official (not an ACP official), whom they did not identify. Supposedly, the French Ambassador made a blunt push on behalf of the French led consortium and it appeared to have been rebuffed. The French group, allegedly, had run into issues that it calls "deal-breakers". From contacts in the ACP, Post learned that the last extension for bid submissions (to December 10, 2008) was granted to satisfy the French and that the French came back once again asking for more time and/or concessions. CH2MHill representatives speculated that the French challenge might have reflected cash flow issues and the group's comfort level in mitigating the overall risk of the project rather than actual contractual elements. It was also possible, CH2MHill reps added, that the French were looking for a way to leave the competition for reasons other than these. They believed that the evaluation process was immune to extraordinary efforts due to the transparency, comprehensiveness, and the number of people involved in the process. The ACP recently implemented a rule that mandated that the ACP Inspector General (IG) be present at all meetings between the consortia and CH2MHill; supplementing the prior requirement that the IG be present for all meetings between the ACP and individual consortia. The CH2MHill

representatives advised that they would not hesitate to contact the Senior Commercial Officer if they thought the bidding process was less than transparent or one of the consortia used unethical means to win the contract. Representatives of Bechtel, Caterpillar (who expects to supply the winning consortium with equipment), and CH2MHill told Senior Commercial Officer in separate meetings that the French consortia was in disarray and would likely bow out.

Current U.S. Embassy Advocacy

18. (U) Since the inception of this project, the U.S. Embassy has pushed the GOP to be fair, transparent, and predictable in its dealings. Bechtel is the only U.S. company that is leading a consortium; however, each consortium plans on procuring goods and services from the United States due to the proximity of the United States and the weak dollar.

19. (U) Since each consortium needs to purchase U.S. goods and services, the Department of Commerce provided additional guidance to the Senior Commercial Officer (SCO) to maximize the percentage of "U.S. content" in each of the four consortia. The SCO provided names of U.S. companies that can provide specialized goods and services to each of the consortia.

Bechtel's Advocacy Request and Views of Bechtel UK

10. (C) According to the U.S. Department of Commerce Advocacy Center, Bechtel submitted a request for "soft advocacy" from its U.S. based offices. The Advocacy Request is pending. A representative of Bechtel UK, the Bechtel Office leading Bechtel's bid for canal expansion work, confirmed to the Senior Commercial Officer that Bechtel only wanted "soft advocacy" - which Bechtel defined as advocacy for an open and transparent process, as well as expressing the Embassy's hope that an American company wins and is able to carry on the tradition of Panamanian-American collaboration in the Canal. He believed that the "hard advocacy" would not be effective
E
or in Bechtel's best interests. Bechtel representatives repeated the "soft advocacy" request to the incoming Economic Counselor during an August 22 meeting at their Frederick, Maryland office.

Comment

11. (C) Post will continue to monitor the bidding process and to advocate for a level playing field through a fair, transparent, and predictable process. We will also, as appropriate, indicate that the United States - Panamanian partnership in the future would be bolstered by an American company at the helm of the flagship expansion project. To date, Post sees no evidence that the bid process is in danger of being subverted, but will remain vigilant. Post looks forward to a U.S. company winning the locks contract. Concurrently, Post continues to maximize the U.S. content in all four consortia.
STEPHENSON